



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Procedural Review

Arizona State Board of Accountancy

As of May 26, 2004



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

July 23, 2004

Valerie M. Elliott, Executive Director
Arizona State Board of Accountancy
100 North 15th Avenue, Suite 165
Phoenix, AZ 85007

Dear Ms. Elliott:

We have performed a procedural review of the Board's internal controls in effect as of May 26, 2004. Our review consisted primarily of inquiries, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure that all deficiencies in internal controls are disclosed.

Specifically, we reviewed cash receipts, cash disbursements, transfers, journal entries, payroll, purchasing, and equipment.

As a result of our review, we noted a deficiency in internal controls that the Board's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation concerning it is described below.

**The Board should deposit cash receipts
in a timely manner**

The Board is responsible for safeguarding cash receipts for examination and licensing fees. Because of the relatively high risk associated with cash receipt transactions, the Board should safeguard cash receipts by depositing them in a timely manner. However, the Board did not deposit cash receipts with the State Treasurer in a timely manner. Auditors noted deposits averaging more than \$50,000 for which the associated fees were received up to 19 days earlier.

To help ensure that cash receipts are safeguarded and help maximize interest earnings, the Board should deposit cash receipts with the State Treasurer daily.

Valerie M. Elliot, Executive Director

July 23, 2004

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This letter is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning our procedural review, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA
Financial Audit Director

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July 20, 2004

Dennis L. Mattheisen, CPA
Financial Audit Director
Auditor General's Office
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Mr. Mattheisen

The Accountancy Board is in receipt of the draft of your letter setting forth the results of your procedural review of the Board's internal controls. I would like to take this opportunity on behalf of the Board to respond to the specific recommendation as presented in that draft.

The Board should deposit cash receipts in a timely manner

The Accountancy Board staff has detailed written procedures that are followed on a daily basis to reconcile all receipts that are received and all companion transfers received from other state agencies. Those procedures were reviewed by the auditors.

The Accountancy Board routinely makes one to two deposit a week. In the time frame reviewed by the auditors, the deposits averaged \$35,483. The delays in making weekly or bi-weekly deposits were due to staff shortages caused by absents and vacancies. The Board currently contracts with General Accounting Office - Central Services Bureau to assist with accounting functions due to staff absents and vacancies.

There are valid reasons for not making daily deposits. The Accountancy Board's receipts are 99% in the form of checks that are immediately endorsed with the Board stamp or come in the form of an agency transfer. On an annual basis the Accountancy Board receives less than one percent of its revenues in cash. The facts do not warrant an employee spending the approximately 1.5 hours to prepare receipts and deposit to the State Treasurer's Office on a daily basis.

Thank you for the opportunity to provide you with information critical to the understanding of the Accountancy Board internal controls.

Sincerely yours,

Valerie M. Elliott
Executive Director